

Message Text

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ACTION PM-04

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

OMB-01 AID-05 IGA-01 MC-02 CIAE-00 INR-07 L-03

ACDA-05 NSAE-00 PA-01 SS-15 PRS-01 SP-02 TRSE-00

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INFO JCS

CSA WASHDC

CSAF WASHDC

CMC WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 ATHENS 8773

E.O. 11652: GDS

TAGS: MASS, GR

SUBJECT: FY-76 AND FY-75 MILITARY SECURITY ASSISTANCE PROGRAM (U)

REFS: (A) STATE 258168 DTD 310005Z OCT 75; (V) CJUSMAG MSG 051350Z
NOV 75; (C) CJUSMAG MSG 101355Z JAN 75; (D) CJUSMAG MSG
211100Z OCT 75; (E) ATHENS 8477 DTG 041512Z NOV 75 (NOTAL)

1. THE FOLLOWING INFORMATION IS KEYED TO THE SUBPARAGRAPHS
OF PARA FIVE, REF A.

A. THE SUPREME HELLENIC ARMED FORCES COMMAND (SHAFC) HAS
NOTIFIED THE CJUSMAGG BY OFFICIAL LETTER THAT THE GOG WILL
ACCEPT AND CONSUMMATE THE FY-76 CREDIT AGREEMENT AT LEVELS
INDICATED.

B. THE GOG HAS DETERMINED THAT IT HAS NO ALTERNATIVE BUT TO
APPLY THE \$110 MILLION FMS CREDITS TO FY-76 FMS DEBT
OBLIGATIONS FOR AIRCRAFT (F-4, A-7, T-2 AND C-130) AND
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HAMLET MISSILES (LATTER CASE WAS SIGNED AS DEPENDABLE UNDER-

TAKING) TOTALING APPROXIMATELY \$157 MILLION. THIS TOTAL INCLUDES \$30 MILLION ALREADY APPROVED UNDER CRA FOR FIRST QUARTER PAYMENTS. AN ADDITIONAL REQUEST FOR \$39.7 MILLION HAS BEEN SUBMITTED FOR THE SECOND QUARTER PER REF B AND WAS REITERATED IN THE SHAF C LETTER TO CJUSMAGG REFERRED TO IN SUBPARA A ABOVE. EVEN AFTER APPLYING THE \$110 MILLION TO THE TOTAL FY-76 DEBT OBLIGATION OF \$157 MILLION, A SHORTFALL OF \$47 MILLION REMAINS. THE SHAF C LETTER HIGHLIGHTED THIS SHORTFALL AND REQUESTED ADDITIONAL CREDITS IN THE AMOUNT OF \$47 MILLION TO MEET THE FULL FY-76 FMS PAYMENT OBLIGATION. SHOULD THIS ADDITIONAL CREDIT NOT BE PROVIDED, WE ANTICIPATE THAT THE GOG WILL REQUEST THAT THE \$47 MILLION BE DEFERRED UNTIL FY-77. ALTHOUGH THE GOG HAS NOT BEEN ADVISED OF THE PROPOSED FY-7T CREDIT LEVELS, AN OBSERVATION THEREON IS APPROPRIATE AT THIS TIME POINT. THE FMS SUM PROGRAMMED FOR FY-7T IS \$46 MILLION, BUT FY-7T DEBT OBLIGATIONS ON AIRCRAFT (A-7, T-2, C-130) TOTAL \$34.8 MILLION, A DIFFERENCE OF 11.2 MILLION ATTRIBUTABLE TO THE RESCHEDULING OF AIRCRAFT PAYMENTS SINCE THE FY-7T NEEDS WERE ESTABLISHED. ACCORDINGLY, REFS C AND D REQUESTED AN ADJUSTMENT TO THE FY-7T CREDIT LEVEL TO PERMIT THE \$11.2 MILLION NOT NEEDED FOR PAYMENTS IN FY-7T TO BE TRANSFERRED TO INCREASE FY-76 CREDITS. THE COUNTRY TEAM CONCURS IN THE GOG INTENTION TO APPLY THE \$110 MILLION FY-76 CREDIT TO PAYMENTS DUE ON AIRCRAFT AND HAMLET PURCHASES, URGES THAT \$11.2 MILLION OF FY-7T FUNDS BE MADE AVAILABLE IN FY-76 AND, IN ADDITION, SUPPORTS THE GOG REQUEST FOR ADDITIONAL FY-76 CREDITS TO THE EXTENT NECESSARY TO BRING TOTAL FY-76 FMS CREDIT TO \$157 MILLION.

C. THE GOG FORCE LEVELS AND MILITARY STRUCTURE WHICH THE FMS CREDIT WILL SUPPORT HAVE BEEN ESTABLISHED TO FULFILL NATO OBLIGATIONS AND APPEAR IN THE FY-77-81 POM AND THE FY-78-85 JSOP. THE EQUIPMENT BEING PURCHASED IS PART OF AN AGGRESSIVE AND WELL-CONCEIVED MODERNIZATION PROGRAM TO REPLACE OUTDATED WEAPONS SYSTEMS WITHIN THE APPROVED MILITARY STRUCTURE IN ORDER TO ENHANCE OVERALL EFFECTIVENESS. D. SINCE THE GOG IS DETERMINED TO OBTAIN THE EQUIPMENT IT FEELS NECESSARY TO IMPROVE THE CAPABILITIES OF GREECE'S ARMED FORCES, FAILURE OF THE USG TO PROVIDE APPROPRIATE FMS CREDITS DOUBTLESS WOULD CAUSE THE GOG TO TURN ELSEWHERE

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FOR CREDITS, AND HENCE FOR EQUIPMENT. ACQUISITIONS BY GREECE OF EQUIPMENT FROM A MULTIPLICITY OF SOURCES COMPLICATES LOGISTICS AND TRAINING, THUS TO SOME EXTENT DIMINISHING THE CAPABILITIES OF GREECE'S ARMED FORCES -- DESPITE ACCESSIONS OF NEW EQUIPMENT -- BELOW THE LEVEL WHICH WOULD PREVAIL IF PROCUREMENT OF A GIVEN TYPE OF EQUIPMENT WERE FROM ONE COUNTRY. ADDITIONALLY, THE FAILURE OF THE USG TO PROVIDE CREDITS AT A TIME WHEN GREECE'S FUTURE RELA-

TIONSHIP WITH NATO IS BEING DECIDED COULD HAVE A VERY ADVERSE EFFECT ON THE EFFORT TO BRING GREECE BACK WITHIN THE NATO FOLD. A RELATED AND EQUALLY IMPORTANT CONSIDERATION IS THE BENEFITS FROM PROVISION OF FMS CREDITS LIKELY TO ACCRUE TO THE UNITED STATES IN THE CURRENT US-GREEK NEGOTIATIONS ON BASE RIGHTS AND FACILITIES. THE NEED TO RETAIN ACCESS TO US-UTILIZED FACILITIES, AND TO NATO FACILITIES IN GREECE, IS EXTREMELY IMPORTANT IN VIEW OF GREECE'S STRATEGIC POSITION; LOCATED ON THE NORTHEASTERN SHORES OF THE MEDITERRANEAN, GREECE BLOCKS DIRECT ACCESS BY THE WARSAW PACT TO THAT SEA, AS IT DOES TO THE AEGEAN, AND PROVIDES A LAND MASS FROM WHICH EXTERNAL FORCES COULD STAGE OPERATIONS INTO ADJACENT AREAS AND WHERE SIGNIFICANT INTELLIGENCE AND COMMUNICATIONS ACTIVITIES ARE BASED.

E. WEAPON SYSTEMS PROVIDED THROUGH PRIOR GRANT AID PROGRAMS, AND THE IN-BEING FMS TRAINING AND MATERIEL PROGRAMS WILL INTERFACE WITH THE EQUIPMENT TO BE FINANCED WITH THE PROPOSED FMS CREDITS AS WELL THE EQUIPMENT TO BE OBTAINED UNDER THE PROPOSED GRANT AID PROGRAM. ALL WILL BE IN SYNCHRONIZATION AND WILL COMBINE TO ENHANCE AND ACCELERATE THE GREEK ARMED FORCES MODERNIZATION PROGRAM.

F. POLICY CONSIDERATIONS FOR AND OBJECTIVES RELEVANT TO THE PROVISIONS OF CREDIT ARE CONTAINED IN THE FY-77-81 PROGRAM OBJECTIVES MEMORANDUM AND JOINT STRATEGIC OBJECTIVES PLAN FY78-85 THE FOREMOST OF WHICH ARE PARAPHRASED AS FOLLOWS: (1) POLITICAL DEVELOPMENTS RESULTING FROM THE CYPRUS CONFLICT HAVE PLACED LONGSTANDING RELATIONS WITH THE US IN QUESTION. (2) THE GOG IS CAPABLE OF ABSORBING INCREASED FMS CREDITS TO ACHIEVE OPERATIONAL CAPABILITY WITHIN THE NATO CONTEXT. (3) PROVISION OF FMS CREDITS SHOULD ENHANCE CONDITIONS THAT WILL LEAD TO A PEACEFUL SOLUTION OF GREEK-TURKISH PROBLEMS. (4) SUCH CREDITS WILL PROMOTE THE RE-ESTABLISHMENT AND MAINTENANCE OF GOG-

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US-NATO ALIGNMENT. (5) THEY ALSO WILL PROMOTE AN ATMOSPHERE CONDUCIVE TO THE SUCCESSFUL INCLUSION OF US-

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INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

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ACDA-05 NSAE-00 PA-01 SS-15 PRS-01 SP-02 TRSE-00

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GOG ARMS TRANSACTIONS AND CONTINUATION OF SECURITY RELATIONS.

(6) THESE CREDITS WILL HELP TO MAINTAIN BASE RIGHTS AND FACILITY ARRANGEMENTS FOR THE US AND DENY THEM TO FORCES OPPOSED TO US INTERESTS. (7) THEIR PROVISION WILL HELP TO RETAIN GREECE AS A BASE FROM WHICH NATO FORCES COULD STAGE OPERATIONS. (8) THE PROVISION OF CREDITS WILL PROMOTE INTERNAL SECURITY IN SUPPORT OF THE CURRENT DEMOCRATIC GOVERNMENT, THUS PERMITTING NATIONAL DEVELOPMENT TO CONTINUE AND STABILITY TO BE REINFORCED.

G. THERE IS UNDENIABLY ACTIVE COMPETITION BETWEEN GREECE AND TURKEY TO IMPROVE THE QUALITY OF THEIR MILITARY EQUIPMENT. THIS STEMS FROM POLITICAL DIFFERENCES BETWEEN THE TWO COUNTRIES WHICH ARE IN NO SENSE A FUNCTION OF THE AVAILABILITY OF FMS CREDITS. MOREOVER, THESE POLITICAL DIFFERENCES, AND THE THREAT GREECE PERCEIVES TO ITS NATIONAL INTEGRITY AS A RESULT OF THEM, WOULD RESULT IN ARMS ACQUISITIONS FROM OTHER SOURCES IF CREDITS WERE NOT CONFIDENTIAL

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FORTHCOMING FROM THE UNITED STATES. THE WEAPONS SYSTEMS TO WHICH THE FY-76 FMS CREDITS WILL BE DEVOTED ARE REPLACING OBSOLETE EQUIPMENT OR FILLING A VACUUM IN GREECE'S MILITARY CAPABILITIES, AND AS SUCH GREATLY ENHANCE THIS COUNTRY'S ABILITY TO ACCOMPLISH THE MISSIONS IT IS ASSIGNED IN NATO PLANNING. SINCE THEY ARE NOT INTENDED TO ARM ADDITIONAL UNITS, THESE WEAPONS SYSTEMS WILL NOT CAUSE A

QUANTITATIVE IMBALANCE.

H. THERE EXISTS AN UNQUESTIONABLE NEED FOR NOT ONLY THE PROPOSED MILITARY ASSISTANCE CREDIT BUT FOR ADDITIONAL AND REPROGRAMMED CREDITS TO BRING THE FY-76 TOTAL TO \$157 MILLION. NOT ONLY CAN THE NEED BE JUSTIFIED IN TERMS OF NECESSARY MODERNIZATION, BUT AS A CRITICAL STEP TOWARD ACHIEVING MAXIMUM SELF-SUFFICIENCY IN MAINTENANCE AND TRAINING. MOREOVER, THE PAST CEILING OF \$71 MILLION ANNUAL FMS CREDITS AND THE TERMINATION OF GRANT ASSISTANCE IN JANUARY 1973 COMBINED TO IMPEDE PLANNED PROGRESS IN THE AFOREMENTIONED AREAS. MANY PRIORITY MILITARY REQUIREMENTS HAVE BEEN PLACED IN A DEFERRED STATUS OR REJECTED ENTIRELY BECAUSE OF INSUFFICIENT FUNDS. FURTHER EVIDENCE OF CASH SHORTAGE WAS THE INABILITY OF THE GOG DURING THE PAST YEAR TO MEET SCHEDULED PAYMENTS ON MILITARY EQUIPMENT PREVIOUSLY CONTRACTED FOR UNTIL CREDITS (AND CRA) WERE FORTHCOMING. WORLD WAR II AND KOREAN WAR VINTAGE EQUIPMENT STILL IN USE MUST BE REPLACED AND WITHOUT USG CREDIT ASSISTANCE THIS REPLACEMENT TASK COULD BE COSTLY TO THE GOG OVERALL NATIONAL AND INTERNATIONAL ECONOMIC PROGRAMS.

IF THE GOG IS COMMITTED TO A LARGE-SCALE MILITARY MODERNIZATION PROGRAM WHICH ITS LEADERSHIP REGARDS AS ESSENTIAL TO NATIONAL SECURITY. REASONABLE FMS CREDIT TERMS, TOGETHER WITH SIZEABLE GRANT ASSISTANCE, WILL SPREAD OUT PAYMENTS AND MAKE THE PROGRAM MORE MANAGEABLE IN THE CONTEXT OF GREECE'S EXTERNAL DEBT, FUTURE BUDGETS, AND ECONOMIC DEVELOPMENT. THE MOST SERIOUS BALANCE OF PAYMENTS PROBLEM LIES IN THE NEXT FEW YEARS, WHEN THE MILITARY PROGRAM, RISING IMPORT PRICES (INCLUDING OIL), AN INCREASING DEBT SERVICE OBLIGATION, AND HEAVY DEPENDENCE ON UNCERTAIN INVISIBLE PAYMENTS MIGHT IMPOSE CONSTRAINTS ON SOCIAL AND DEVELOPMENT PROGRAMS DURING A PARTICULARLY

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SENSITIVE POLITICAL PERIOD. WE BELIEVE THAT STRETCHING OUT MILITARY PAYMENTS WILL ENABLE GREECE TO WEATHER THESE CRITICAL YEARS WITHOUT UNDESIRABLE CUTBACKS IN SOCIAL SERVICES OR DEVELOPMENT PROGRAMS AND, ASSUMING RELATIVE CALM IN RELATIONS WITH TURKEY, WITHOUT A SERIOUS EROSION OF THE PRESENT RESPECTABLE DEBT SERVICE RATION OF ABOUT FIFTEEN PERCENT (A DETAILED AIRGRAM ON DEBT OBLIGATIONS FOLLOWS). A COMPREHENSIVE PROGRAM TO RESTRUCTURE THE ECONOMY SHOULD BEGIN TO ALLEVIATE BALANCE OF PAYMENTS WEAKNESSES WITHIN THE NEXT FIVE YEARS (SEE REF E, PARA 7).

J. (1) IN ADDITION TO THE FMS PURCHASES ENUMERATED IN SUBPARA B ABOVE, GREECE SIGNED CASES FOR US MATERIAL AND SERVICES TOTALING \$180.9 MILLION IN FY-75, AND \$26.4

MILLION SO FAR IN FY-76 AS CASH/DEPENDABLE UNDERTAKING.
(HOWEVER, DUE TO PRICING ADJUSTMENTS THE TOTALS WERE REDUCED BY \$1.6 MILLION IN FY-75 AND \$1.3 MILLION IN FY-76.)
IN ADDITION, US LETTERS OF OFFER ARE PENDING IN THE AMOUNT OF \$123 MILLION. ALL OF THE ITEMS TO BE, OR BEING PURCHASED WILL INTERFACE WITH THOSE PLANNED TO BE PROCURED WITH THE PROPOSED FY-76 CREDIT AND THE GRANT AID PROGRAMS. MOREOVER, ALL ITEMS WILL BE ABSORBED WITH THE APPROVED MILITARY UNITS AND FORCE STRUCTURE AS PART OF THE MODERNIZATION PROGRAM OR TO FULFILL EQUIPMENT SHORTAGES.

(2) ALTHOUGH US MILITARY EQUIPMENT IS PREFERRED, THIRD COUNTRY ITEMS WERE PURCHASED PRIMARILY BECAUSE THE EQUIPMENT COULD BE MADE AVAILABLE EARLIER. ANNUAL EXPENDITURE TOTALS FOR THIRD COUNTRY PURCHASES ARE DIFFICULT TO OBTAIN; HOWEVER, AS OF FEBRUARY 20, 1975, MOD FIGURES PROVIDED TO JUSMAGG DISCLOSED THAT APPROXIMATELY \$200 MILLION WOULD BE EXPENDED IN 1975 AND \$205 MILLION IN 1976. THESE FIGURES SHOULD BE REGARDED ONLY AS AN APPROXIMATION, AS IT CAN BE SEEN THAT THE COST OF SUCH MAJOR ITEMS AS 130 AMX TANKS, 40 MIRAGE AIRCRAFT AND FOUR PATROL BOATS FROM FRANCE, ALONG WITH 330 ARMORED PERSONNEL CARRIERS FROM ITALY AND THREE SUBMARINES FROM THE FRG EXCEED THE AFOREMENTIONED THIRD COUNTRY EXPENDITURES. WITH THE INCREASED US FY-76 MILITARY ASSISTANCE PROGRAMS TO GREECE (PARTICULARLY IF EQUIPMENT AVAILABILITY IMPROVES), IT CAN BE ANTICIPATED THAT FUTURE THIRD COUNTRY PURCHASES WILL DECREASE IN FAVOR
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OF PURCHASES FROM THE UNITED STATES. THIS WOULD BE EXTREMELY ADVANTAGEOUS TO THE GOG BECAUSE THE OVERWHELMING MAJORITY OF THE EQUIPMENT IN ITS ARMED FORCES IS OF US ORIGIN AND EACH TIME MAJOR ITEMS FROM A THIRD COUNTRY ARE INTRODUCED INTO THE INVENTORY DIFFICULTIES ARISE IN THE FIELDS OF LOGISTICS, REPAIR, SPARE PARTS REQUISITIONING, TRAINING AND IN INSTRUCTION MANUALS.
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